

PERS Plan 2/PERS Plan 3 Comparison and Employer Information

Transfer and Plan Choice Dates

The type of employer an individual works for and the date a member first establishes membership in PERS Plan 2 determines when a member can make their plan choice:

State Agencies/Higher Ed Employees:

- Current PERS Plan 2 members will have from March 1, 2002 through August 31, 2002 to decide whether to remain in PERS Plan 2 or transfer to PERS Plan 3.
- New members, hired on or after March 1, 2002, will have 90 days to choose between PERS Plan 2 and PERS Plan 3.

Local Government Employees:

- Current PERS Plan 2 members will have from September 1, 2002 through May 31, 2003 to decide whether to remain in PERS Plan 2 or transfer to PERS Plan 3.
- New members, hired on or after September 1, 2002, will have 90 days to choose between PERS Plan 2 and PERS Plan 3.

Note: Individuals who first establish membership (per dates above) must be reported in PERS Plan 2 until they make their plan choice (Plan 2 or Plan 3) or are defaulted into Plan 3 at the end of the 90-day period if no selection is made.

	PERS Plan 2	PERS Plan 3	
	Defined benefit plan	A plan with two components:	
	Funded by member & employer contributions	Defined benefit component Funded by employer contributions	Defined contribution component Funded by member contributions, investment earnings, transfer and gain-sharing payments
Position Eligibility	The position normally requires at least five months each year in which regular compensation is earned for at least 70 hours per month [RCW 41.40.010(25)(a), WAC 415-108-680].	Same as PERS Plan 2	Does not apply.

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	Defined benefit plan	Defined benefit component	Defined contribution component
Retirement Eligibility	<p>PERS Plan 2 provides a retirement benefit for:</p> <ul style="list-style-type: none"> • Normal retirement, age 65 or older, if member has at least 5 service credit years, or • Early retirement, age 55 or older, if member has at least 20 service credit years. If member begins drawing retirement benefit before age 65, the benefit will be reduced. <i>(See next page)</i> 	<p>PERS Plan 3 provides a retirement benefit for:</p> <ul style="list-style-type: none"> • Normal retirement, age 65 or older, if member has: <ul style="list-style-type: none"> – at least 10 service credit years; or, – 5 service credit years, including 12 service credit months after attaining age 54; or, – 5 service credit years as earned in PERS Plan 2 by June 1, 2003 and transferred to PERS Plan 3; or, • Early retirement, age 55 or older, if member has at least 10 service credit years. If member begins drawing retirement benefit before age 65, the members benefit will be reduced. <i>(See next page)</i> 	<p>Members can establish a distribution plan for their defined contribution account when they terminate all employment from PERS covered employers. <i>(For more information about contribution withdrawal see page 7.)</i></p>

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	Defined benefit plan	Defined benefit component	Defined contribution component
Benefits	<p>The retirement benefit depends on the average final compensation and the amount of service credit years at the time of retirement. A retirement benefit is calculated using the following formula:</p> <p>2 percent x Service Credit Years x Average Final Compensation (AFC)</p> <ul style="list-style-type: none"> Early retirees who have accumulated 30 years or more of service credit will receive a 3 percent reduction factor for each year the retiree is under age 65. Early retirees who have accumulated 20 years or more of service credit will receive an “actuarially reduced” benefit. <p>“Actuarially reduced” means benefit payments are reduced based on life expectancy statistics and the plan’s investment projections, which are provided by the Office of the State Actuary.</p>	<p>The retirement benefit depends on the average final compensation and the amount of service credit years at the time of retirement. A retirement benefit is calculated using the following formula:</p> <p>1 percent x Service Credit Years x Average Final Compensation (AFC)</p> <ul style="list-style-type: none"> Early retirees who have accumulated 30 years or more of service credit will receive a 3 percent reduction factor for each year the retiree is under age 65. Early retirees who have accumulated 10 years or more of service credit will receive an “actuarially reduced” benefit. Members who accumulate 20 service credit years, terminate employment, and defer drawing their defined benefit retirement will have their benefit increased by .025 percent each month (approximately 3 percent annually) until they begin drawing their benefit. 	<p>There is no benefit formula used to calculate a defined contribution benefit. The monetary value of the benefit will be based on the amount contributed, the transfer and gain-sharing payments (if any) added to an account and the performance of the investments.</p> <p>Members must begin receiving their minimum required distribution on April 1, the year after they turn 70 ½, assuming they meet the following qualifications:</p> <ul style="list-style-type: none"> Member is receiving less than the minimum required distribution. Member is not actively employed.

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Service Credit	<p>Criteria applies from September 1991 - present:</p> <p>Service credit (SC) is earned for each month of employment in an eligible position.</p> <ul style="list-style-type: none"> • 90 or more hours compensated employment = 1 month SC • 70 or more hours but less than 90 hours = ½ month SC • Less than 70 hours = ¼ month SC • For education employees, the criteria above applies only if the annual service credit rules do not apply. 	Same as PERS Plan 2.	Does not apply.

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	Defined benefit plan	Defined benefit component	Defined contribution component
Rates	Both members and employers contribute to the retirement fund. As of September 1, 2000, the PERS Plan 2 member contribution rate is 2.43 percent of their salary; employers contribute at a rate of 4.67 percent. Please note contribution rates change periodically, based on legislative changes or actuarial projections.	Employer contributions finance the defined benefit portion. Employer contribution rate is same as in Plan 2.	<p>It is mandatory to contribute. There are six contribution rate options from which to choose:</p> <p>Option A: All ages 5% -- fixed</p> <p>Option B: Up to age 35 -- 5% Ages 35 to 44 -- 6% Age 45+ -- 7.5%</p> <p>Option C: Up to age 35 -- 6% Age 35 to 44 -- 7.5% Age 45+ -- 8.5%</p> <p>Option D: All ages 7% -- fixed</p> <p>Option E: All ages 10% -- fixed</p> <p>Option F: All ages 15% -- fixed</p> <ul style="list-style-type: none"> • If the member does not make a selection, they default to rate Option A (5% fixed) contribution rate. • The contribution rate option can not be changed unless the member changes employers.

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Investment Program Choice	Does not apply.	Does not apply.	<p>There are two investment programs in which PERS Plan 3 members can invest their contributions:</p> <ol style="list-style-type: none"> 1) The default option is the Washington State Investment Board–Total Allocation Portfolio (WSIB-TAP) managed by WSIB, made available at no additional cost to the member. 2) A series of Self-Directed investment options providing exposure to most major asset classes with associated administrative expenses paid by the member. <p>If no selection is made, members are defaulted to the WSIB Investment program when the 90-day period ends.</p>

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	Defined benefit plan	Defined benefit component	Defined contribution component
COLA	On July 1, of every year following the member's first full year of retirement, the member's monthly benefit will be adjusted by the percentage change in the Consumer Price Index, to a maximum of 3 percent per year.	Same as PERS Plan 2.	There is no cost of living adjustment. The monetary value of the member's defined contribution account is based entirely on the market value of the investments.
Contribution Withdrawal	If a member leaves covered employment and withdraws their contributions, they will not receive a benefit at age 65.	If a member leaves covered employment, employer contributions are not eligible for withdrawal nor are they eligible for transfer or rollover to another tax deferred account or retirement plan. However, when a member meets the age and service credit requirements the member can begin drawing their 1% defined benefit even if they have withdrawn the money from their defined contribution account.	Plan 3 members can set up a payment plan or withdraw the balance of their defined contribution account if they retire or terminate employment. Members can: <ul style="list-style-type: none"> • have their contributions paid to them or • have their contributions transferred to a qualified, tax-deferred account. While the defined contribution account can be paid out in a lump sum, members are encouraged to use their defined contribution account as a supplement to the defined benefit account. There may be tax implications for early withdrawal.